Inland Revenue

tax BULLETIN

ISSUE 66

Deceased estates - new procedures for Income Tax and Capital Gains Tax

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*Tax Bulletin is also available on the Inland Revenue Website at **www.inlandrevenue.gov.uk/bulletins***

Background

When somebody dies, their assets pass to their estate. The estate is then administered by their personal representatives, whose main duties are to

- gather in the assets left by the deceased individual,
- settle their debts,
- pay out any legacies, and then
- distribute any remaining assets to the beneficiaries.

The personal representatives are also responsible for paying tax on any income or capital gains the state receives during the administration period. (That is, the period from the date of death until they distribute the assets.)

Strictly, personal representatives should

- notify the Inland Revenue that they are liable to tax within 6 months of the end of the year they became liable,
- complete a Self Assessment return and pay any tax due on the estate income and gains.

Informal procedures – current practice

In practice, the tax due on many estates is either already covered by tax deducted from the income, or so small that it is impractical to deal with under normal Self Assessment procedures. So to minimise costs and administrative burdens for personal representatives and their agents, the Inland Revenue has allowed tax liabilities for the smallest estates to be settled by a one-off payment. These "informal procedures" apply where the probate value of an estate is below £400,000.

As part of our drive to provide a better service for all our customers, we are extending these informal procedures to many more estates.

Informal procedures – new practice

For estates where the date of death was on or after 6 April 2003, we will normally accept a simple computation of the estate's Self Assessment liability if

- the estate is not regarded as complex (see below), and
- the tax arising during the whole of the administration period is less than £10,000.

In these cases, we will provide the personal representative with a payslip to allow them to pay the tax due.

In all cases where the tax liability for the whole of the administration period is £10,000 or more, or where the estate is one we regard as complex, we will still require Self Assessment returns. (IR Trusts offices will normally issue these, not local service offices.)

Complex estate

We regard an estate as complex where:

there is a very high probate/confirmation value, generally over **£2.5 million**, or

the administration of the estate is continuing and has entered the third income tax year from the date of death, or

the personal representatives have disposed of a chargeable capital asset, and the proceeds of sale exceed **£250,000**.

Which office will deal with the estate

a) Trust created
In all estates, large or small, where the terms of the will or intestacy provide for a trust to be created, the responsible office will be the IR Trusts office that deals with the address of the trustees. The IR Trusts offices will deal with the administration period liability for all estates where a trust is created, regardless of whether the case is to be dealt with under the informal procedures or via the Self Assessment regime.

b) No Trust created – Informal procedures
Where the informal procedures apply, the local service office that dealt with the deceased individual's tax affairs will also deal with the estate. If the deceased did not have a tax office at the date of death, the responsible office will be the office that deals with the personal representatives' address.

c) No Trust created – Normal Self Assessment procedures
If no continuing trust is established under the terms of the will or intestacy, but Self Assessment returns are needed, the estate's tax affairs will be dealt with by IR Trusts (usually from its Edinburgh office).

The only exceptions are

- if Public Departments 1 handled the deceased individual's affairs, it will also deal with the estate
- if the deceased individual was a Lloyds underwriter, West Yorkshire Personal Tax Unit will deal with the estate.

Large or complex estates will be expected to complete a Trust and Estate Self Assessment return, and may also be asked to provide certain information about the distribution of sums to the beneficiaries of the estate.

Statements of residuary income (Forms 922)
IR Trusts Edinburgh currently issues forms 922 (Statement of residuary income) annually for a large number of estates. This form is used to calculate and allocate estate income to the beneficiaries of the estate.

We are reviewing the need for these forms, and will issue fewer of them in future. We are also looking at whether the detailed information we currently request can be summarised.

Outcome of these changes

We expect that personal representatives will benefit from these changes as they will ensure consistency of approach throughout the Inland Revenue. We intend this simplification of our procedures to allow personal representatives' Income Tax and Capital Gains Tax liabilities to be satisfied easily and with the minimum of delay.

We will publicise any further changes to our procedures for the tax liabilities of deceased estates as soon as we have developed them.

Queries

To Charlie Kerr or Roger Willoughby at

IR Trusts Edinburgh
Meldrum House
15 Drumsheugh Gardens
Edinburgh
EH3 7UB

Tel: 0131 777 4099 or 0131 777 4143

An Update On Double Taxation Conventions (DTCS)

Annual Review

In order to set its treaty priorities each year, the Inland Revenue consults several top UK companies, the main representative bodies and other Government departments and also invites representations from other interested parties.

The comments received provide valuable information on problems with existing treaties and possible gaps in the UK's treaty network.

The Paymaster General, Dawn Primarolo, MP, has recently agreed the negotiating programme for double taxation conventions for the year to 31st March 2004. Full details were given in the Inland Revenue News Release issued on 16 June 2003 and a summary is given below.

DTC Negotiating Programme

- We hope to complete work on new treaties with Australia, Botswana, Chile, France and Slovenia
- We plan to finalise Protocols to the existing treaties with Belgium, Italy and New Zealand
- We intend to continue negotiations with Croatia, Germany, Iran, Namibia, the Netherlands, Serbia and Montenegro and UAE.

New/Exploratory Talks

We monitor the possibility to negotiate new or updated treaties, as and when circumstances allow. There has been a particular interest in new treaties with Hong Kong SAR, Luxembourg, Poland and Thailand. The timing of any negotiations with these countries will depend, among other things, on the extent of our other commitments. Representations on these and other negotiations are welcome (see the section below for details). In line with our existing practice we will generally invite country-specific representations through an Inland Revenue News Release shortly before we begin any initial negotiations.

Tax Information Exchange Agreements (TIEAs)
We will be commencing a programme of negotiating TIEAs with jurisdictions that have made commitments to the OECD to improve transparency and effective exchange of information in tax matters.

Recent Developments

Australia
The third and fourth rounds of negotiations on a new comprehensive DTC were held in London in November 2002 and February 2003 respectively.

Canada
A Protocol amending the DTC between the UK and Canada was signed in London on 7 May 2003. This was approved by the Ninth Standing Committee on Delegated Legislation in the House of Commons on 3 July 2003 and has been published as a Schedule to a draft Order in Council.

The text of the draft Order can be accessed on the Internet at: **www.inlandrevenue.gov.uk/pdfs/ukcanada.pdf**

The draft Order will be considered and made by the Privy Council in due course and will enter into force once both parties have completed the necessary legislative procedures.

Chile
A comprehensive DTC between the UK and Chile was signed in London on 12 July 2003 by the Chief Secretary to the Treasury Paul Boateng and the Chilean Finance Minister Mr Nicolas Eyzaguirre. The text of the new Convention can be accessed on the Internet at **www.inlandrevenue.gov.uk/pdfs/uk/chile_dtconvention.pdf**.

The text will in due course be laid, as a Schedule to a Draft Order in Council, for consideration by the House of Commons and will then also be available from the Stationery Office.

Croatia
A first round of negotiations took place in London from 18-21 March 2003.

Iran
A first round of negotiations took place in Tehran from 6-9 July 2003.

Jordan
A comprehensive DTC was signed between the UK and The Hashemite Kingdom of Jordan on 22 July 2001 and entered into force on 24 March 2002. The provisions of the Convention took effect in the UK from 1 April 2003 for corporation tax and from 6 April 2003 for income tax and capital gains tax and from 1 January 2003 in Jordan.

Italy
The first round of talks on a Protocol to amend certain provisions in the DTC was held in Rome from 10-12 September 2002.

Mauritius
A Protocol amending the DTC between the UK and Mauritius was signed in Port Louis on 27 March 2003. This was approved by the Ninth Standing Committee on Delegated Legislation in the House of Commons on 3 July 2003 and has been published as a Schedule to a draft Order in Council.

The text of the draft Order can be accessed on the Internet at: **www.inlandrevenue.gov.uk/pdfs/ukmauritius.pdf**.

The draft Order will be considered and made by the Privy Council in due course and will enter into force once both parties have completed the necessary legislative procedures.

The Netherlands
A first round of negotiations was held in London from 10-13 June 2003.

Saudi Arabia
A second round of talks was held in London in April 2003.

South Africa
The new DTC with South Africa was signed in London on 4 July 2002 and entered into force on 17 December 2002. The provisions of the DTA apply in the UK from 1 April 2003 (for corporation tax) and from 6 April 2003 (for income tax and capital gains tax) and in South Africa from 1 January 2003.

Serbia and Montenegro
A first round of talks was held in Belgrade from 16 to 19 June 2003.

Slovenia
The text of a new draft DTC was agreed at official level following a second round of talks in Ljubljana in November 2002. The draft DTC will be presented to Ministers for approval in the near future.

Taiwan
The DTA in relation to the territory of Taiwan was signed in London on 8 April 2002 and entered into force on 23 December 2002. The provisions of the DTC apply in the UK from 1 April 2003 (for corporation tax) and from 6 April 2003 (for income tax and capital gains tax) and in Taiwan from 1 January 2003.

USA
The DTC with the USA was signed on 24 July 2001 and a Protocol was signed on 19 July 2002. Both were ratified on 31 March 2003 and the provisions take effect in the UK from 1 May 2003 (for taxes withheld at source), 6 April 2003 (for income tax and capital gains tax), 1 April 2003 (for corporation tax) and 1 January 2004 (for petroleum revenue tax). In the USA, the provisions apply from 1 May 2003 (for tax withheld at source) and 1 January 2004 (for other taxes).

Representations

General representations concerning new DTCs, or suggestions about changes to existing conventions, are welcomed and should be addressed to:

Mrs Jas Sahni
Revenue Policy International
Inland Revenue
Victory House
30-34 Kingsway
London WC2B 6ES

Email: Jas.Sahni@ir.gsi.gov.uk

Queries regarding the effects of a double taxation convention on a particular taxpayer's tax liability should always be referred to the Inland Revenue office responsible for dealing with that taxpayers affairs.

Further Information

Further information on double taxation and related issues can be obtained via the Internet on the Inland Revenue website at: **www.inlandrevenue.gov.uk**

Copies of double taxation conventions published from 1997 onwards can be found on the Stationery Office's website at **www.hmso.gov.uk** or purchased via **www.tso.co.uk**

Copies of older conventions can be obtained from the Stationery Office - Telephone 0870 600 5522. The Statutory Instrument number should be quoted (see list below).

General double taxation issues arising in connection with estates, inheritances and gifts should be addressed to:

Angela Cole
Revenue Policy Capital and Savings
Inland Revenue
Room 121
3rd Floor
New Wing
Somerset House
London
WC2R 1LB

Email: Angela.Cole@ir.gsi.gov.uk

A full list of the UK's double taxation conventions is given below

a) Comprehensive double taxation conventions as at 1 April 2003

Country	Year/Statutory instrument number	Country	Year/Statutory instrument number
Antigua and Barbuda	1947 No.2865	Lesotho	1997 No.2986
Argentina	1997 No.1777	Luxembourg	1968 No.1100
Australia	1968 No.305	Macedonia (2)	1981 No.1815
Austria	1970 No.1947	Malawi	1956 No.619
Azerbaijan	1995 No.762	Malaysia	1997 No.2987
Bangladesh	1980 No.708	Malta	1995 No.763
Barbados	1970 No.952	Mauritius	1981 No.1121
Belarus (1)(3)	1986 No.224	Mexico	1994 No.3212
Belgium	1987 No.2053	Mongolia	1996 No.2598
Belize	1947 No.2866	Montserrat	1947 No.2869
Bolivia	1995 No.2707	Morocco	1991 No.2881
Botswana	1978 No.183	Myanmar (Burma)	1952 No.751
Brunei	1950 No.1977	Namibia	1962 No.2352
Bulgaria	1987 No.2054	Netherlands	1980 No.1961
Canada	1980 No.709	New Zealand	1984 No.365
China	1984 No.1826	Nigeria	1987 No.2057
Croatia (2)	1981 No.1815	Norway	2000 No.3247
Cyprus	1975 No.425	Oman	1998 No.2568
Czech Republic	1991 No.2876	Pakistan	1987 No.2058
Denmark	1980 No.1960	Papua New Guinea	1991 No.2882
Egypt	1980 No.1091	Philippines	1978 No.184
Estonia	1994 No.3207	Poland	1978 No.282
Falkland Islands	1997 No.2985	Portugal	1969 No.599
Fiji	1976 No.1342	Romania	1977 No.57
Finland	1970 No.153	Russian Federation	1994 No.3213
France	1968 No.1869	St Kitts and Nevis	1947 No.2872
Gambia	1980 No.1963	Sierra Leone	1947 No.2873
Germany	1967 No.25	Singapore	1997 No.2988
Ghana	1993 No.1800	Slovak Republic (Slovakia)	1991 No.2876
Greece	1954 No.142	Slovenia (2)	1981 No.1815
Grenada	1949 No.361	Solomon Islands	1950 No.748
Guernsey	1952 No.1215	South Africa	2002 No.3138
Guyana	1992 No.3207	Spain	1976 No.1919
Hungary	1978 No.1056	Sri Lanka	1980 No.713
Iceland	1991 No.2879	Sudan	1977 No.1719
India	1993 No.1801	Swaziland	1969 No.380
Indonesia	1994 No.769	Sweden	1984 No.366
Ireland (Republic of)	1976 No.2151	Switzerland	1978 No.1408
Isle of Man	1955 No.1205	Taiwan	2002 No.3137
Israel	1963 No.616	Thailand	1981 No.1546
Italy	1990 No.2590	Trinidad and Tobago	1983 No.1903
Ivory Coast (Côte d'Ivoire)	1987 No.169	Tunisia	1984 No.133
Jamaica	1973 No.1329	Turkey	1988 No.932
Japan	1970 No.1948	Tuvalu	1950 No.750
Jersey	1952 No.1216	Uganda	1993 No.1802
Jordan	2001 No.3924	Ukraine	1993 No.1803
Kazakhstan	1994 No.3211	United States of America	2002 No.2848
Kenya	1977 No.1299	Uzbekistan	1994 No.770
Kiribati	1950 No.750	Venezuela	1996 No.2599
Korea (Republic of)	1996 No.3168	Vietnam	1994 No.3216
Kuwait	1999 No.2036	Yugoslavia (Federal Republic) (2)	1981 No.1815
Latvia	1996 No.3167	Zambia	1972 No.1721
Lithuania	2001 No.3925	Zimbabwe	1982 No.1842

NOTES

Many of the above conventions have been amended by Protocols, which are published separately with a new SI number. Any Protocol should be read in conjunction with the original convention.

(1) The UK's 1986 convention with the Soviet Union (SI 1986 No.224) is regarded as in force between the UK and Belarus pending the entry into force of the UK/Belarus convention.

(2) The UK's convention with Yugoslavia (SI 1981 No.1815) is to be regarded as in force between the UK and the former Yugoslav states marked. The position with regard to the remainder of what was Yugoslavia is undetermined.

(3) The 1995 convention with Belarus (SI 1995 No.2706) has not yet entered into force.

b) Limited Agreements, covering taxes on income from international transport

Algeria	(Air Transport)
Belarus	(Air Transport) (1)
Brazil	(Shipping and Air Transport)
Cameroon	(Air Transport)
China	(Air Transport) (1)
Ethiopia	(Air Transport)
Hong Kong	(Air Transport)
Iran	(Air Transport)
Jordan	(Shipping and Air Transport)
Kuwait	(Air Transport)
Lebanon	(Shipping and Air Transport)
Saudi Arabia	(Air Transport)
Zaire	(Shipping and Air Transport)

NOTES

(1) Indicates Air Transport agreements which were not terminated by later Comprehensive agreements and remain in force alongside them.

c) Agreements covering estates, inheritances and gifts

The following Agreements were signed after the introduction of capital transfer tax in 1975, and continue to apply to inheritance tax.

Country	Year/Statutory instrument number
Republic of Ireland	1978 No.1107
South Africa	1979 No.576
USA	1979 No.1454
Netherlands	1980 No.706
(amending protocol)	1996 No.730
Sweden	1981 No.840
(amending protocol)	1989 No.986
Switzerland	1994 No.3214

Treaties with France, Italy, India and Pakistan were in place for Estate Duty before its replacement in 1975 and have different rules to eliminate to double taxation.

interpretations

Taxation of Chargeable Gains - Sale of Trust Interests and Transfers Linked to Trustee Borrowing. (Schedules 4A and 4B to the Taxation of Chargeable Gains Act 1992.)

Interpretations

We have been asked by representative bodies and individual firms of tax practitioners to offer guidance on the meaning of certain statutory terms and on the application of the legislation in Schedules 4A and 4B Taxation of Chargeable Gains Act 1992 ['TCGA']. The relevant legislation was enacted in Finance Act 2000. These schedules are part of a package of measures designed to prevent certain forms of avoidance of capital gains tax involving trusts.

Details: Schedule 4A

Schedule 4A is concerned with certain situations where there is a disposal of an interest in a UK resident settlement for consideration.

A1. Paragraph 3: 'for consideration'.
Under paragraph 3(1) "A disposal is 'for consideration' if consideration is given or received by any person for, or otherwise in connection with, any transaction by virtue of which the disposal is effected". (Paragraph 3(3) restricts this

to actual consideration.) Our view is that 'consideration' in this context does not extend to the incidental costs of the transaction, in particular reasonable fees charged by professional advisers for giving guidance as to the legal and fiscal effects of the transaction or for drafting and executing the relevant paperwork. Therefore, if there are no payments other than in respect of the incidental costs, the transaction does not fall within Schedule 4A.

A2. Paragraph 13(2)(b): 'for practical purposes'.
This paragraph is concerned with the situation where there is a period between the beginning of the disposal of the interest in question and the 'effective completion' of it in circumstances where Schedule 4A applies. In this situation the deemed disposal under paragraph 4(1) of the relevant trust assets occurs at the moment of effective completion of the disposal of the interest. This is required for testing the conditions relating to the residence status of the trustees and settlor (paragraphs 5 & 6) and the interest of the settlor in the settlement (paragraph 7). It is also relevant for the purposes of paragraph 8 where the identity of the underlying assets changes during the period, and paragraph 9 where the value changes during the period.

The conditions as to the residence of the settlor and the trustees are met if they applied for

- the tax year in which the disposal of the interest began, or
- the tax year in which it was effectively completed, or
- any tax year in between.

The condition as to the interest of the settlor is met if it applied at any time between

- the beginning of the tax year two years before the tax year in which the disposal of the interest began and
- the date of the effective completion of the disposal.

These two dates are inclusive.

The beginning of the disposal is defined by paragraph 13(2)(a) as, in the case of a disposal involving the exercise of an option, the date of the grant of the option, and in any other case involving a contract, the date the contract was entered into.

The effective completion is defined by paragraph 13(2)(b) as 'the point at which the person acquiring the interest becomes for practical purposes unconditionally entitled to the whole of the intended subject matter of the disposal'. The main purpose of the words 'for practical purposes' is to cover cases where the buyer has the power to compel the trustees to transfer the property to him on giving due notice. Another example would be where the buyer has a right to enjoy the property now, but is not entitled to it until a particular contingency is fulfilled, and there is no real likelihood of its not being fulfilled.

Details: Schedule 4B

Schedule 4B is concerned with situations where the trustees of a settlement falling within section 77, 86 or 87 TCGA make a transfer of value which is treated as linked with trustee borrowing.

B1. Paragraph 2(1)(b): cash distributions which are income.
Where trustees of a discretionary trust make a distribution which is income of the recipient for UK tax purposes, this is not a 'transfer of value' within paragraph 2, which is concerned with capital transactions.

B2. Paragraph 2(1)(a): beneficiary exercising rights under section 12 Trustee etc Act 1996.
In certain circumstances a beneficiary's occupation of property, instead of being the consequence of the volition of the trustees, may result from personal rights under section 12 Trusts of Land and Appointment of Trustees Act 1996. Our view is that if the rights of the beneficiary arise as a consequence of the wording of the deed or will, then the occupation does not give rise to a transfer of value. It may be otherwise where the rights have arisen as a consequence of the exercise by the trustees of a power of appointment or advancement.

B3. Paragraph 2(1)(c): 'issue a security'.
We have been asked what the expression 'issue a security' covers. It caters for those exceptional circumstances where trustees issue to a beneficiary or to the trustees of another trust a document acknowledging liability. Paragraph 13(2) of Schedule 4B provides that references to the transfer of an asset include everything that is or is treated as a disposal of an asset. The issue of a security is not in itself the disposal or part disposal of an asset. Therefore paragraph 2(1)(b) does not apply to it, and it was necessary to have a specific provision to cover this possibility.

B4. Paragraph 4(1): meaning of 'borrowing'.
It is not unusual for the trustees of a non-resident trust to borrow money from a non-resident company which they control. In this situation, if the company were resident in the UK, section 419 of the Income and Corporation Taxes Act 1988 might well be applicable. It has been suggested that in this situation the trustees are effectively 'borrowing' from themselves and therefore outside paragraph 4(1). We consider this incorrect, particularly in the light of Chamberlain v CIR, 25TC357. It does not matter whether the borrowing is from a company controlled by the trustees or their associates, or from an entirely unconnected company. What matters is the use to which the borrowing is put.

The fact that money was borrowed before 21 March 2000 does not prevent it from being outstanding trust borrowing.

Where trustees are presented with a bill, for example for repairs to trust property, bona fide delay in payment would not convert this into a borrowing for the purposes of paragraph 4.

B5. Paragraph 6(4): application of proceeds to meet current expenses.

We have been asked whether trustee borrowings to meet payments on account or provision for future or past expenses are covered by the expression 'current expenses'. One circumstance in which borrowings are applied for 'normal trust purposes' (paragraph 6) is where they are applied by the trustees in making payments to meet bona fide current expenses incurred by them.

One may note that there are three tests to be met.

- The borrowings have been applied by the moment of the transfer of value (paragraph 5(2)(b)(i)).
- They have been applied to meet bona fide 'current expenses'.
- The expenses are expenses of 'administering' the settlement or any of the settled property.

In the case of borrowing to meet future expenses it is hard to see how the borrowings can be said to have been applied. But the time for making the test is not when the money is borrowed, but the time of the transfer of value (this is 'the material time', as defined in paragraph 2(2)). In the case of payments on account there would be the requisite application and the liability to pay would have been incurred.

We do not regard 'current' as restricting qualification to expenditure which for accounting purposes must fall in the year of borrowing, but we should regard it as excluding borrowing to make a provision for future expenditure or to meet expenditure that was incurred long before but left unpaid. In general where contracts for repairs of an ordinary kind have been entered into, we should regard the expenditure anticipated under those contracts to be current expenses at the moment of borrowing. Where trustees as the owner or tenant of a flat are obliged by contract or under the terms of the lease to make payments into a common fund to meet future maintenance or repair expenditure this would be regarded as a current expense.

The expression 'administering the settlement or any of the settled property' should be construed widely to cover not only those expenses properly chargeable to income, or which would be so chargeable but for express provisions of the trust deed, but also capital expenditure such as capital taxes in the UK or elsewhere, or legal costs of a reorganization, in particular the costs of an application under the Variation of Trusts Act. Other capital expenditure would often be expenditure on the asset itself, and therefore qualify under paragraph 6(2). Contributions to the day-to-day running costs of a nominee company controlled by the trustees would also qualify.

B6. Paragraph 7: 'ordinary trust assets': futures contracts.

We have been asked to say whether a futures contract relating to commodities is an 'ordinary trust asset'. Such a contract is not a tangible asset nor does it give the holder an interest in such an asset. Therefore, it is not an 'ordinary trust asset'.

B7. What happens when trustees put money into a conventional current or deposit account at a bank or building society?

Although in general law this is regarded as a loan from the customer to the bank, in the context of this legislation we do not consider that this comes within the meaning of 'lend' for the purposes of paragraph 2(1)(a). The currency in which the deposit is made is immaterial.

B8. What happens when money is borrowed to purchase the freehold interest of a property which is then rented on a commercial basis?

It is important to appreciate that the expression 'transfer of value' equates to the three types of transaction described in paragraph 2(1). It does not carry the kind of meaning that it has for inheritance tax purposes.

Under paragraph 13(2) references to the transfer of an asset include references to anything that is a disposal, and under section 21(2) TCGA references to a disposal include references to a part disposal. Paragraph 13(3) provides that references to a transfer of an asset do not include the transfer of an asset which is created by the part disposal of another asset. The grant of a lease is a part disposal of the freehold interest and therefore the grant of a lease is a transfer of the freehold interest for the purposes of paragraph 2(1)(b) and is not regarded as the transfer simply of the lease. If the freehold interest was bought with borrowed money it meets the test in paragraph 2(4)(a), and the amount of value transferred equals the market value of the freehold.

Assuming that there is outstanding trustee borrowing at 'the material time', which is defined in paragraph 2(2) as the time the transfer is effectively completed, it is then necessary to consider whether the transfer of value is linked with trustee borrowing. Under paragraph 7 tangible property, and any interest in such property falls within the expression 'ordinary trust assets'. However the property concerned must under paragraph 6(2)(b) either form part of the settled property immediately after the material time, or meet the alternative condition in paragraph 8(1)(b) that it is represented by

ordinary trust assets which form part of the settled property immediately after the material time. Paragraph 6(2)(b) and paragraph 8(1)(b) may be looked at together. In this situation we say that the reversion to the lease is still part of the settled property, and the lease itself is represented by the right to the rental stream.

Therefore where trustees borrow money to acquire the freehold interest in a property which is then let commercially and, at the material time, there are no outstanding trustee borrowings other than those which have been applied for normal trust purposes, Schedule 4B does not apply. But the position will be different if at that moment there are outstanding trustee borrowings applied for other purposes.

The same considerations apply where trustees acquire a long lease which is sublet, and where the asset in question is a chattel rather than land or buildings.

B9. What happens when money is spent unproductively, for example on a planning application that fails?
Under paragraph 6(2) there are three conditions that must be met by a payment in respect of 'an ordinary trust asset' if it is to be regarded as applied for normal trust purposes. The third, in paragraph 6(2)(c), is that the sum is allowable under section 38 TCGA (or would be but for section 17 or 39) as a deduction in computing a gain accruing to the trustees on a disposal of the asset. If an application for planning permission fails, then when the land is actually sold the costs relating to the application are generally not allowable; this is because they are not 'reflected in the state or nature of the asset at the time of the disposal'. Paragraph 6(2)(c) however must be referring to a notional disposal not to a real one. In the context of paragraph 6 we consider that the reference can only be to a notional disposal taking place at the time when the expenditure is incurred.

Although one could not lay down as a universal rule that the expenditure would always qualify, the test is whether the existence of the current application for planning permission is reflected in the state or nature of the asset at the time of the notional disposal.

B10. How should we compute the base cost of assets for future disposals?
The trustees are treated as disposing of the whole or a proportion of each of the chargeable assets continuing to form part of the settled property. Suppose that an asset cost £600, the trustees are treated as disposing of two thirds of the asset at the material time (paragraph 10(1)), and the respective values of two thirds and one third immediately after that time are £900 and £450. Leaving aside indexation, if any, the computation is:

Cost	2/3 of 600	400
Deemed Proceeds		900
Gain		500
Remaining original cost	600 – 400	200
Deemed Acquisition		900
Revised cost		1100

Capital Gains: Transfer Of Assets Under A Court Order Restriction Of Gift Hold-Over Relief

We have been advised that our view, that we should apply TCGA92/s165(7) to restrict gift hold-over relief on transfers of assets between spouses made under the provisions of a Court Order under the Matrimonial Causes Act 1973, is incorrect. This change in our prevailing practice follows legal advice we have taken in the light of the comments of Coleridge J. in G v G [2002] EWHC 1339 on the tax consequences of court orders made under the Matrimonial Causes Act 1973. We are therefore revising our guidance in the CG Manual as follows:

CG67192: Gifts: hold-over relief: consideration
The disposal of an asset from one spouse to the other in the circumstances described in CG67191 is, where there is no recourse to the courts, usually made in exchange for a surrender by the donee of rights which they would otherwise be able to exercise to obtain alternative financial provision. In such cases we take the view that the value of the rights surrendered represents actual consideration of an amount which would reduce the gain potentially eligible for hold-over relief to nil. 'Consideration' is not limited to money or money's worth.

Exceptionally, it may be possible for the parties concerned to demonstrate that there was a substantial gratuitous element in the transfer. It should be made clear that the onus is on the parties concerned to demonstrate that this was the case, and in particular that the amounts transferred were substantially in excess of what the recipient's spouse could reasonably have expected to have received as the result of a contested court case.

However, in cases where there is recourse to the courts and a court makes an order

- for ancillary relief under the Matrimonial Causes Act 1973 which results in a transfer of assets from one spouse to another, or

- formally ratifying an agreement reached by the divorcing parties dealing with the transfer of assets,

we take the view that the spouse to whom the assets are transferred does not give actual consideration, in the form of surrendered rights, for their transfer. A Court Order, made in these circumstances, reflects the exercise by the court of its independent statutory jurisdiction and is not the consequence of any party to the proceedings agreeing to surrender alternative rights in return for assets.

This approach represents a change in the Revenue's prevailing practice, following consideration of judicial observations made in the case of G v G [2002] EWHC 1339 and applies with effect from 31 July 2002. Therefore, where assets are transferred between divorcing parties by reason of a Court Order as described above and a claim for gift hold-over relief is made, or remains unsettled, on or after that date, the relief should not be restricted in accordance with TCGA92/165(7) on the grounds that actual consideration has been given by the donee.

This change of practice will apply from 31 July 2002 (the date of publication of the G v G judgment) to:

(a) relevant s165 claims made on or after that date, and

(b) relevant s165 claims previously made but unsettled at that date.

This change will also apply to similar orders made under the Family Law (Scotland) Act 1985.

Sale And Repurchase Agreements - "Repo"

Tax Changes In Finance Act 2003

The Finance Act contains a number of provisions relating to sale and repurchase agreements (repo). This article provides a brief overview of those changes and clarifies a few issues that have been raised since the legislation was introduced.

Tax Credit Adjustment

The Act removes an anomaly which dates back to the abolition of Advance Corporation Tax (ACT). It relates to manufactured dividends, deemed to be paid by section 737A ICTA 1988, and the consequent adjustment to the repurchase price under section 737C ICTA. These provisions affect what are termed "net paying repos" where the parties agree that, instead of the interim holder making a manufactured payment to the original owner, the equivalent amount is netted off against the repurchase price.

When ACT was in force, the deemed payer of a manufactured dividend on a UK equity would have been liable to pay ACT, so that the amount of the deemed manufactured dividend plus the ACT made up the "gross amount". The objective for section 737C is to increase the repurchase price by the same amount, and hence the increase was defined to be equal to the "gross amount". However, this point was not corrected when ACT was abolished, so that a deemed manufactured dividend on a UK equity under section 737A became equal to just the dividend, but the deemed increase to the repurchase price remained at the higher amount of dividend plus tax credit.

The Finance Act corrects this anomaly so that the repurchase price is now increased by just the amount of the dividend. The change has effect where the repurchase under the repo takes place on or after Budget Day, 9th April 2003. Section 737A deems the manufactured payment to be made on the repurchase date, and therefore the amended rules apply to any adjustment made under section 737C ICTA on or after 9th April 2003. In these cases, it will not be possible for a company to claim a deduction for any part of the higher section 737C adjustment "accrued" up to 9th April 2003.

Exchange gains and losses

Finance Act 2002 made significant changes to the loan relationships regime of FA 1996, and overhauled the tax treatment of foreign exchange gains and losses. It also brought sale and repurchase agreements for companies within the loan relationships rules, but made specific provision only for the price differential. This led to questions about the correct treatment of foreign exchange gains and losses in relation to the original sale price of the securities.

One possible interpretation was for any such gains or losses to be wrapped up in the overall repo price differential, but this could have led to unexpected results for tax. For example, the exchange movement could have been substantial, so that the overall amount of the price differential (deemed to be interest) in the accounting currency could have been regarded as giving rise to an excessive rate of return. This in turn could have triggered the distribution rules.

Finance Act 2003 introduces a comprehensive scheme - section 730BB ICTA 1988 - which gives a clear and separate tax treatment for exchange gains and losses on the original sale price. The following example may help to demonstrate (all figures have been rounded off to the nearest £1000).

A company accounts in sterling. It sells securities for $900,000, with an agreement to buy them back for $918,000 after six months. At the start of the transaction the exchange rate is £1=$1.50 so the sterling value of the sale price is £600,000. At the repurchase date the exchange rate is £1=$1.45. Therefore the sterling value of the original sale price is £621,000. The original owner has therefore made an exchange loss of £21,000 in respect of the original sale price.

The repurchase price in sterling is £633,000. The price differential under the repo agreement is £12,000 (£633,000

minus £621,000). This amount will be taxed and relieved under section 730A(2) ICTA.

Advisers have queried the timing of recognition of any exchange gain or loss where the repo crosses an accounting date. Advisers have suggested that the legislation requires that any such gain or loss can only be brought into account when the existence of a gain or loss is definite - at the end of the repo. This is not the intention. The whole thrust of the legislation is that recognised accounting principles should normally be followed. It is acceptable for a company to accrue an exchange gain or loss at its accounting date for tax purposes by reference to the information that it has in its possession at that time. Again, an example might help.

Take the same figures as in the above example, but assume that the accounting period ends after three months of the repo. At that time the exchange rate is £1=$1.53. The sterling value of the original sale price is therefore £588,000. This would be recognised by the original owner as an exchange gain of £12,000 for that accounting period.

If the exchange rate then moved to £1=$1.45, again using the original example, the original owner would recognise an exchange loss in the later accounting period of £33,000 under section 730BB ICTA.

The Inland Revenue will not normally seek to disturb this approach, except in cases where there is attempted manipulation to avoid tax.

The Finance Act also contains a short amendment to section 100 FA 1996 to make sure that where a repo gives rise to a money debt, and the company stands as creditor or debtor in relation to that money debt, any exchange gains or losses will be dealt with only under section 730BB ICTA and not under section 100 FA 1996.

Options

There had been some uncertainty as to whether or not all of the repo tax rules applied where the repurchase was subject to either a put or a call option. Different provisions carried different forms of wording. The Finance Act standardises the wording and makes it clear that:

- The repo rules apply where the repurchase is subject to either a put option or a call option, or indeed cross options available to both parties, but
- The repo rules only apply if an option is actually exercised

As with exchange gains and losses, this has also led advisers to question the timing for tax purposes when the repo crosses an accounting date. The Inland Revenue view is that normal accounting principles should be followed. This would usually involve the company taking a view at the accounting date of the likelihood that the option will or will not be exercised, and the consequences for tax will flow from that decision. Attention is also drawn to paragraph 3 Schedule 9 FA 1996, which sets out a prescribed treatment for determining (for tax purposes) whether or not an option will be exercised - but this should only be necessary where normal accounting principles have not been followed for whatever reason.

Advisers have questioned the boundary between the repo tax rules and the derivative contract tax rules in Schedule 26 FA 2002 - particularly where the repurchase is subject to an option. Should any question of overlap arise, section 101 FA 1996 provides a “tie breaker” giving the loan relationships rules precedence over derivative contracts. The FA 2002 changes made a repo subject to all the provisions of the loan relationships rules, which therefore includes section 101 FA 1996.

Finally, the Finance Bill provisions establish a consistent tax treatment for an option premium in a repo. The premium will fall to be accounted for, and therefore taxed, as part of the overall repo unless it is brought into account under the derivative contract rules in Schedule 26 FA 2002. Persons not within the charge to corporation tax are not subject to Schedule 26 FA 2002, and therefore the rules now specify that any option premium in a repo is to be taxed or relieved for such persons as part of the overall repo.

Other Clarifications

The Finance Act also contains some changes which tidy up a few problem areas where there were potential mismatches between different parts of the repo rules. The overall thrust is to ensure that either all of the repo rules apply, or none of them. The changes include:

- Where section 730A(8) ICTA prevents a transaction from being treated as a repo for tax then the exclusion from the accrued income scheme (section 727A ICTA) will also not apply.
- Similarly, where section 730A(8) ICTA applies then the transaction will not be excluded from being a “related transaction” for loan relationships purposes (paragraph 15 Schedule 9 FA 1996).
- Where section 730A ICTA does not apply, for whatever reason, any repurchase price adjustment made under section 737C ICTA will be made for other relevant tax provisions.
- Changes to section 737A ICTA clarify that its provisions apply where a manufactured dividend rather than the real dividend is received by a person other then the original owner.

First Year Allowances and Plant Hire

This article describes a change of Revenue view concerning the exclusion from First Year Allowances (FYAs) of plant or machinery which is hired out.

Expenditure incurred by small or medium-sized enterprises on plant or machinery may qualify for FYAs. There are a number of exceptions, one of which is that the plant or machinery must not be acquired for the purposes of leasing (S.46 (2) CAA2001). For the purposes of the legislation, leasing includes the letting of assets on hire. Much expenditure incurred by plant hire firms falls within this exclusion. But there is a distinction between the leasing of an asset and the provision of services that involve the use of an asset. We previously took the view that where an asset is provided with an operative and overall supervision and control lies with the customer then the asset is being hired out, but where control lies with the operator this is the provision of a service. In the construction industry it is commonplace to use the standard Construction and Plant Hire Association contract which contains the condition that where a driver is provided he "shall be under the control of the hirer", i.e. the person to whom the asset is hired out.

The judgement in the recent case of Baldwins Industrial Services PLC and Barr Ltd considered whether the hire of a crane with an operative constituted a construction operation, and as such amounted to more than mere hire. Baldwins hired a 50 tonne crane to Barr to be used in the building of the new Southampton football stadium. An incident arose which led to a dispute as to which party was responsible for repairs to the crane. An essential element of the claim was whether the provision of the crane and driver was part of a construction contract within the ambit of Housing Grants, Construction and Regeneration Act 1996. A construction contract is one under which construction operations are carried out and it was accepted that a contract for mere plant hire is not a construction contract. The labour element was held to be crucial.

The hire of the crane plus driver was held to be a contract for supply of plant and labour to be used as part of the operation to build the stadium. The contract for supply of the crane and driver was for an operation that formed an integral part of, was preparatory to, or was for rendering complete a work of construction. Following the judgement we accept that the supply of plant or machinery with an operator, by a business, is the provision of a service and not mere hire.

We take the supply of plant or machinery with an operator to mean that the operator remains with the equipment during its use and that it will be operated by him or her alone save for exceptional circumstances. It is not sufficient for the plant or machinery to be delivered or installed by the hire company. For example, the delivery and installation of a generator would not be regarded as the provision of a service but the supply of a digger with driver would be so regarded.

Plant or machinery may be provided with an operator on some occasions and without on others. Where, at the time the expenditure is incurred, it is intended that the asset will be predominantly provided with an operator, the precise facts and use of the asset will have to be considered, but generally we accept that FYAs are due.

We also accept that the provision of building access services by the scaffolding industry amounts to a construction operation and is therefore more than mere hire. This does not apply to businesses that simply supply scaffolding poles etc for use by others.

Each case will have to be considered on its own facts. This change does not affect claims to capital allowances that have been agreed for past periods in accordance with our previous prevailing practice where those periods are now closed.

Swaps held by non-corporates

All statutory references are to ICTA 1988 unless otherwise stated.

1. Swap contracts, such as interest rate or currency swaps or certain kinds of credit derivative, are now widely used by traders and investors to hedge financial risks or to change their risk profile. Almost all swaps used by companies will fall within the derivative contracts rules of Schedule 26 FA 2002 (for accounting periods beginning on or after 1 October 2002). But we have been asked to clarify our views on the tax treatment of swaps held by non-corporates. The term "non-corporates" includes individuals, whether trading or not; trusts (including approved and unapproved pension schemes and charitable trusts); and partnerships whose members include individuals or trusts.

2. More specifically, we have been asked:

   - whether profits from swaps held by exempt approved retirement benefit schemes come within the exemption in section 592(2) for "income derived from investments", and

   - whether, for a charity, a swap is capable of being a "qualifying investment" within Part I Schedule 20 .

3. This article therefore deals both with the general position of non-corporates who hold swap contracts, and with the more specialised issues relating to approved pension schemes and to charities. It relates only to swaps (except

in so far as it specifically refers to other sorts of derivatives). Different tax considerations may apply to other sorts of derivatives, such as futures and options.

4. The word "swap" is not found in the Taxes Acts. For the purposes of this article the term relates to any financial arrangement which would be regarded by the financial markets as a swap.

The general position of non-corporates

5. Our general view is that profits or losses on a swap held by a non-corporate, if they are not within Case I of Schedule D, will fall within Case VI.

6. Case I takes priority over any other possible charge to tax. Receipts or payments under a swap contract are on trading account where either

- the swap forms part of the circulating capital of a financial trade being carried on by the non-corporate,

or

- the swap transaction is clearly ancillary to a trading transaction on current account. Swaps that hedge borrowing undertaken for trade purposes fall into this category, following the approach of example 10 in paragraph 17 of Statement of Practice 3/02.

7. Where a swap is taken out by a non-corporate to hedge interest payments which are deductible in computing the profits or losses of a Schedule A business, then profits or losses on that contract will normally be taxed or relieved as receipts or deductions of that Schedule A business. There is further guidance on this in the Property Income Manual (PIM2100).

8. Profits or gains that are not of a capital nature, and which are not within Case I or Schedule A, will constitute "annual profits or gains not falling under any other Case of Schedule D" and will therefore be chargeable under Case VI (unless, exceptionally, they are within Case V). Periodic payments under a swap are not annual payments within Case III because they are not pure income profit – the person who receives them has counter-obligations under the swap contract. It follows that such sums are payable without deduction of income tax.

9. The case of *Curtis Brown v Jarvis* (14TC744) makes it clear that in assessing receipts under Case VI it is permissible to deduct associated payments. And, under Section 69, income tax under Case VI is charged on the full amount of profits or gains for the year of assessment. So the amount to be taxed under Case VI (or the Case VI loss) for a year of assessment will be the net amount receivable (or payable) under the swap contract in that year. If, however, the non-corporate prepares accounts and accounts for the swap on either an accruals or a mark to market basis, there is no objection to using the accounts figure as the measure of the "full amount of profits or gains", provided that the accounts bring in the full economic profit on the swap over the life of the contract.

10. Users of swaps may sometimes receive or pay lump sums. For example, one party may pay a premium to enter into a swap, or a lump sum representing the net present value of outstanding rights and obligations under the contract may change hands if a swap is assigned or terminated early. Such lump sums will also be within Case VI if they are on revenue account. Whether a receipt or payment is capital or income is a question of fact in any particular case. But in general all cashflows made or exchanged under or in connection with a swap will be income, whether they take the form of periodic payments or are rolled up into a lump sum payable at any point.

11. It is sometimes contended that certain swaps are "financial futures" that, if not within Case I, are taken out of Schedule D by section 128(1) and are chargeable to capital gains tax by virtue of section 143 TCGA 1992. Statement of Practice 3/02 (or its earlier incarnation, SP 14/91) is sometimes quoted in support of this view.

12. We do not agree. Paragraph 4 of SP 3/02 makes the point that the statutory phrase "financial futures" is a wide term, encompassing cash-settled contracts as well as those settled by delivery, and over the counter contracts (including forward rate agreements) as well as exchange-traded contracts. But, wide as it is, it can only cover derivatives that are "futures". The word "future" must be interpreted in its normal commercial sense. And – while there is some fluidity in commercial usage – the market will generally see swaps as falling into a different category from futures.

13. SP 3/02 deals with the tax treatment of transactions in financial futures and options, not swaps. Nevertheless, when looking at a question of whether a swap transaction is within Case I, rather than Case VI, the Revenue will apply the general principles set out in SP 3/02.

Approved pension schemes

14. Section 592(2) allows exempt approved retirement benefit schemes to claim exemption from income tax in respect of income from investments, provided those investments are held for the purposes of the scheme. There are similar exemptions for retirement annuity schemes (section 620(6)), approved personal pension schemes (section 643(2)), schemes approved before 6 April 1980 (section 608(2)(a)), Parliamentary pension funds (section

613(4)) and certain overseas pension schemes (S614(3)). And section 271(1) TCGA 1992 contains related exemptions for capital gains accruing on the disposal of such investments.

15. Case law has established that the word "investment", where used in the Taxes Acts, is to be understood in its normal commercial meaning. In particular, it is not limited to an income-producing asset: in Marson v Morton (59TC381), it was emphasised (at p393) that the interpretation of "investment" should reflect current commercial reality.

16. It is against this background that the question of whether a particular swap held by an approved pension scheme is an "investment" needs to be considered. Section 659A specifically provides that futures and options are investments for the purposes of section 592(2) and the related statutory provisions mentioned above. It was brought in by FA 1990 as a clarificatory measure; it is silent on swaps because, at that time, the use of swaps by investment funds was in its infancy. Section 659A therefore has no bearing on the tax status of swaps.

17. The question of whether a swap is held for the purposes of a trade is one of fact. Where a swap transaction by an approved pension scheme appears to fall close to the trading/investment borderline, the Revenue will look at the case on its merits.

18. However, where an approved pension scheme uses interest rate swaps, currency swaps, equity swaps, credit derivatives or similar instruments:

   - to hedge risks inherent in its existing investment portfolio of shares, bonds or similar securities, or
   - as part of an investment strategy to enhance the return from its existing investment portfolio, or
   - to create a synthetic exposure to investments of a particular type or in a particular market, in line with the fund's normal policies of investing directly in such instruments,

the Revenue will normally regard such swaps as investments.

Charities

19. The charity tax exemptions are subject to rules designed to restrict the exemptions where charities' income and gains are used for non-charitable purposes. These rules also apply where charities make "non-qualifying" loans or investments. Where a charity invests its funds in a "non-qualifying investment", the amount invested is treated as expenditure incurred for non-charitable purposes (section 506(1) and (4)). Part I Schedule 20 lists those investments that are "qualifying investments". Para 9 Schedule 20 allows the Board to extend the "qualifying investment" designation to an investment not specifically listed, where such treatment is claimed. The Board must be satisfied that the investment is made for the benefit of the charity, and not for tax avoidance.

20. As outlined above in relation to approved pension schemes, "investment" takes its normal commercial meaning. It is capable of including a swap. While we cannot give advance confirmation that a particular swap will be a qualifying investment we can confirm that we will follow the Charity Commission guidance in their leaflet CC14 in deciding whether a particular swap is an investment. There is guidance in Annex III to the Detailed Guidance notes in the Charities pages on the Inland Revenue website that sets out the approach we adopt in deciding whether or not a particular investment is a qualifying investment.

21. However, even where the Board is satisfied that a swap contract held by a charity is a qualifying investment, profits arising on the swap will only be exempt from income or corporation tax if they fall within one of the categories listed in section 505(1).

22. The types of swap in normal commercial use will fall within the Schedule 26 FA 2002 derivative contracts regime (for accounting periods beginning on or after 1 October 2002) where the charity concerned is a company or unincorporated association. In such cases, profits from the swap will normally give rise to non-trading loan relationship credits, taxable under Schedule D Case III. The exemption for Case III income in section 505(1)(c)(ii) will apply.

23. Where the swap is held by a charitable trust, however, profits will in many instances fall within Case VI (see the above discussion of the general position for non-corporates). Case VI income from such a source does **not** fall within any of the section 505 exemptions. But there is a de-minimis exemption in section 46 FA 2000 which exempts most case VI income of charities below £5,000. It also exempts the lesser of £50,000 or the income if it is less than 25% of the charities' incoming resources for the chargeable period.

miscellaneous

Inland Revenue – Tax Law Rewrite Project

The "core" legislation for income tax will be replaced from April 2005.

Background

In December 1995 the Inland Revenue presented a report to Parliament on the scope for simplifying the UK tax system. The main recommendation was that UK direct tax legislation should be rewritten in clearer, simpler language.

This recommendation was welcomed, both in Parliament and in the tax community and as a consequence the Tax Law Rewrite Project was established in 1996. The Project has produced two major Acts:

- the Capital Allowances Act 2001; and
- the Income Tax (Earnings and Pensions) Act 2003 (ITEPA 2003).

These have been well received by users.

Current Programme

Our next major target is the delivery of rewritten regulations for PAYE which are clearer and easier to follow. A consultative document containing draft regulations, and a commentary on them, was published in April 2003 with a request for comments by 9 July 2003. The regulations will be made in autumn 2003 to apply from April 2004.

But the bulk of our efforts continue to be focused on the rewrite of the income tax code and, in particular, on the next rewrite Bill. This Bill will contain income tax charging provisions grouped under; trading, property, savings and investment and miscellaneous income. And it will make provision for exempt income and the special rules for foreign income.

The Project will publish a draft for full consultation early in 2004. And it is our intention to have the Bill ready to be introduced in Parliament before the end of the year.

Prior to the draft Bill we will publish papers covering particular aspects of our work on our Internet site [http://home.inrev.gov.uk/inlandrevenue/rewrite/index.htm] for consultation. To date we have posted:

Subject matter	Responses welcomed by
partnerships and changes of ownership	31 July 2003
profits from deep gain securities	31 August 2003
beneficiaries' income from estates in administration	31 August 2003

We intend to add papers on newly rewritten material and any significant reworking of topics that have been subject to earlier consultation. These papers will be posted as our work reaches a stage where it would benefit from feedback. We intend to include:

- Guaranteed returns on transactions in futures and options
- Intellectual property
- Gains from contracts for life insurance
- Transfer of securities - accrued income

Our papers seek responses by a particular date to facilitate our consideration of feedback for our draft Bill. But we welcome comments on any of our material at any time.

Please send comments by e-mail where possible to Jon.N.Fuller@ir.gsi.gov.uk . Written comments should be sent to:

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Look out for your 2004 subscription form in the next issue

Inland Revenue Statements of Practice and Extra-Statutory Concessions issued between 1 June 2003 and 31 July 2003

Extra Statutory Concessions

Number	Title	Date of Issue
A103	Armed Forces Reservists: Revenue Approved Share Schemes and Enterprise Management Incentives (EMI)	16 July 2003

Statements of Practice

There have been no Statements of Practice for this period

You can get copies of SPs and ESCs by telephoning 020 7438 4266.

CONTENT

The content of Tax Bulletin gives the views of our technical specialists on particular issues. The information published is reported because it may be of interest to tax practitioners. Publication will be six times a year, and include a cumulative index issued on an annual basis.

- You can expect that interpretations of the law contained in the Bulletin will normally be applied in relevant cases, but this is subject to a number of qualifications.
- Particular cases may turn on their own facts, or context, and because every possible situation cannot be covered, there may be circumstances in which the interpretation given here will not apply.
- There may also be circumstances in which the Board would find it necessary to argue for a different interpretation in appeal proceedings.
- The Bulletin does not replace formal Statements of Practice.
- The Board's view of the law may change in the future. Readers will be notified of any changes in future editions.

Nothing in this Bulletin affects a taxpayer's right of appeal on any point.

Letters on any article appearing in Tax Bulletin should be sent to the Editor, Mr Shell Makwana, Room G7, New Wing, Somerset House, Strand, London, WC2R 1LB or e-mail Shell.Makwana@ir.gsi.gov.uk. We are sorry though that neither he nor our contributors will normally be able to enter into correspondence about Tax Bulletin or its contents.

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